

Message Text

CONFIDENTIAL

PAGE 01 CARACA 10929 01 OF 02 111220Z

42

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 PC-01 IGA-02 INT-05 STR-04 AID-05 COME-00

EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04

SIL-01 OMB-01 CU-02 DHA-02 MCT-01 CEA-01 FAA-00

DOT-00 AF-08 MC-02 ACDA-07 SCA-01 ORM-02 IO-13 FEA-01

OES-06 /154 W

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R 102139Z SEP 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4721

INFO AMEMBASSY BOGOTA

AMEMBASSY MOSCOW

USCINCSO QUARRY HEIGHTS CZ

CINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 10929

E.O. 11652: GDS

TAGS: PFOR, PINS, EGEN, EINV, EFIN, VE, CU, SU, ELAB, ETRD,

MASS

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 10715 (NOTAL)

SUMMARY. THE GOV MOVED RAPIDLY TO SEIZE ISSUES OF A MAS NEWSPAPER
SEPTEMBER 7 WHICH PUBLISHED A LETTER FROM DEPUTY MESA ESPINOZA
EXCORIATING PRESIDENT PEREZ'S HANDLING OF HIS CASE. BOTH AD AND
COPEI AGREE ON A NEW PETAR COUNCIL PRESIDENT TO CLEAN UP THE
SCANDAL-RIDDEN COUNCIL. VENEZUELA OBSERVED THREE DAYS OF NATIONAL
MOURNING FOR THE DEATH OF 55 MEMBERS OF ITS CELEBRATED NATIONAL
UNIVERSITY CHOIR IN AN AZORES AIRCRASH. IN THIS REGARD,
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PAGE 02 CARACA 10929 01 OF 02 111220Z

PRESIDENT PEREZ THANKED THE USG EFFUSIVELY FOR MAKING AVAILABLE

A USAF AIRCRAFT WHICH BROUGHT THE REMAINS HOME. THE MINISTRY OF DEFENSE CATEGORICALLY REJECTED PAYMENT OF ANY AGENTS' FEES FOR THE FMS PURCHASE OF 12 T-2D AIRCRAFT. THE GOV ANNOUNCED PLANS TO INCREASE IMMIGRATION OF SKILLED WORKERS. VENEZUELA MAY SELL STEEL TO CUBA. U.S. TRADE TEAM VISITED VENEZUELA FOR A THOROUGH REVIEW OF THE MTN. ON SEPTEMBER 9 THE FINANCE MINISTER ANNOUNCED A REFINANCING OF \$1 BILLION IN SHORT-TERM FOREIGN PUBLIC DEBT AT VERY FAVORABLE RATES. FINALLY, A VENEZUELAN PARLIAMENTARY DELEGATION IS TO ARRIVE IN MOSCOW SEPTEMBER 15. END SUMMARY.

1. GOV MOVES AGAINST NEWSPAPER WHICH PUBLISHES LETTER FROM DEPUTY MESA ESPINOZA EXCORIATING PRESIDENT PEREZ. SEPTEMBER 7 ISSUES OF THE MAS PAPER "PUNTO" WERE SEIZED BY GOV AGENTS BECAUSE THIS EDITION CARRIED A LETTER FROM MEP DEPUTY SALON MESA ESPINOZA IN WHICH MESA SAID, INTER ALIA, THAT HE WAS "...PRISONER OF THOSE IN POWER IN OUR COUNTRY--THE GOVERNMENT, PERSONIFIED BY THE PRESIDENT OF THE REPUBLIC,--FEDECAMARAS, LED BY BUSINESSMAN EMILIO CONDE JAHN, AND--THE CIA, REPRESENTED BY MR. CANAVAN." AT THE SAME TIME AS THE SEIZURE OF THE PAPER TOOK PLACE, PRESIDENT PEREZ ORDERED THE MINISTER OF DEFENSE TO INVESTIGATE WHETHER GROUNDS EXIST UNDER THE CODE OF MILITARY JUSTICE TO PROSECUTE THE PUBLISHERS. PEREZ SAID THAT LETTER CONTAINED "OFFENSIVE CHARGES AGAINST THE PRESIDENT OF THE REPUBLIC AND THE ARMED FORCES, WHICH IMPLIED THAT THE CHIEF OF STATE IS USING MILITARY JUSTICE TO UNDERTAKE ENDS CONTRARY TO THE INSTITUTIONAL ORDER OF THE REPUBLIC." MEANWHILE, THE MEP NATIONAL COMMITTEE ALSO DECIDED TO BRING A SUIT AGAINST INTERIOR MINISTER LEPAGE FOR DEFAMING MESA, AND DAVID NIEVES, ONE OF THE GROUP OF TERRORISTS SEIZED LAST MONTH, REFUSED TO GIVE TESTIMONY BEFORE THE MILITARY JUDGE TRYING THE CASE OF DEPUTIES HERRERA AND MESA UNTIL THE GOV STOPPED ITS POLICY OF "TORTURE AND REPRESSION." MESA'S LATEST STATEMENT FOLLOWED CLOSELY HIS EARLIER DIATRIBES AGAINST THE PRESIDENT, AND REITERATED ALLEGED CIA INVOLVEMENT THROUGH CANAVAN. CLEARLY, PEREZ IS NOT ABOUT TO TOLERATE MESA'S ABUSIVE LANGUAGE. THIS WAS, IN FACT, THE FOURTH TIME THE GOV HAS SANCTIONED THE MEDIA FOR CARRYING MATERIAL IT CONSIDERED OBJECTIONABLE ON THE NIEHOUS CASE. THE LEGAL GROUNDS FOR THE PRIOR SANCTIONS HAVE BEEN FLIMSY. WHETHER THE MILITARY COURTS WILL ACTUALLY BRING A CASE AGAINST "PUNTO" IS NOT CLEAR, CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 10929 01 OF 02 111220Z

AND PEREZ'S REQUEST IN THIS REGARD MAY MERELY CONSTITUTE A LEGAL FIG LEAF TO JUSTIFY HIS INTIMIDATORY ACTION.

CONFIDENTIAL

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PAGE 01 CARACA 10929 02 OF 02 111232Z

42

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 10929

2. NATIONAL MOURNING FOR TRAGIC AIR CRASH IN AZORES WHICH KILLS MOST OF VENEZUELAN NATIONAL UNIVERSITY CHOIR AND FAV CREW. FOLLOWING THE CRASH OF A VENEZUELAN AIR FORCE (FAV) C-130H IN THE AZORES SEPTEMBER 3 IN WHICH ALL 68 PERSONS ABROAD WERE KILLED, INCLUDING 55 MEMBERS OF THE VENEZUELAN CENTRAL UNIVERSITY'S CELEBRATED CHOIR, PRESIDENT PEREZ DECLARED A NATIONAL DISASTER. THE FAV REQUESTED U.S. ASSISTANCE IN ESTABLISHING COMMUNICATIONS WITH THE U.S. AIR BASE IN THE AZORES (LAJES), AND THE USAF PROVIDED A C-141 AIRCRAFT ON A REIMBURSEABLE BASIS WHICH RETURNED THE BODIES TO CARACAS SEPTEMBER 7. PEREZ SENT AN EFFUSIVE NOTE OF THANKS TO PRESIDENT FORD FOR THE U.S. ASSISTANCE. (CARACAS 10851).

3. AGENTS' FEES ISSUE. LAST WEEK THE MINISTRY OF DEFENSE OF
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CONFIDENTIAL

PAGE 02 CARACA 10929 02 OF 02 111232Z

VENEZUELA CATEGORICALLY REJECTED PAYMENT OF ANY AGENT FEES FOR THE FMS PURCHASE, ON A GOVERNMENT-TO-GOVERNMENT BASIS, OF 12 T-2D AIRCRAFT. AIRCRAFT DELIVERIES ARE SCHEDULED TO START IN NOVEMBER OF THIS YEAR, AND IT IS NOT YET KNOWN WHETHER THE GOV'S DECISION WILL AFFECT THE PURCHASE OF THE AIRCRAFT (SEE COMILGP 031614Z 26 SEPT 76).

4. PETARE COUNCIL-AD/COPEI AGREES ON NEW FACE TO CLEAN UP THE SCANDAL. FOLLOWING THE DETENTION LAST WEEK OF TEN OFFICIALS OF THE PETARE CITY COUNCIL, THE NATIONAL LEADERSHIP OF BOTH AD AND COPEI AGREED THIS WEEK TO NAME BAEZ DUARTE, EX-VICE MINISTER OF MINES, AS THE NEW PRESIDENT OF THE PETARE COUNCIL. IN A PUBLIC PACT SIGNED BY LUIS PINERUA ORDAZ, AD SECRETARY GENERAL, AND RAFAEL ANDRES MONTES DE OCA, ACTING SECRETARY GENERAL OF COPEI, BOTH PARTIES PLEDGED TO COMBAT CORRUPTION, GUARANTEE THE EFFICIENT ADMINISTRATION OF THE COUNCIL AND TO PUSH, DURING THE NEXT SESSION OF CONGRESS, FOR A NEW ORGANIC LAW FOR MUNICIPAL GOVERNMENTS. FOLLOWING PRESS SPECULATION THAT THE PACT MIGHT FORESHADOW A FUTURE COMMON PROGRAM BETWEEN AD AND COPEI, DEPUTY MONTES DE OCA CATEGORICALLY DENIED THAT THE COOPERATION OVER THE PETARE SCANDAL HAS ANY SUCH IMPLICATION.

5. PLANS FOR INCREASING IMMIGRATION OF SKILLED WORKERS MOVE AHEAD. THE LAST SEVERAL MONTHS HAVE WITNESSED AN INTENSIVE DEBATE OVER PROPOSALS FOR A QUANTUM INCREASE IN THE NUMBER OF SKILLED WORKERS ALLOWED TO IMMIGRATE TO VENEZUELA. THE CONFEDERATION OF VENEZUELAN WORKERS (CTV) HAS REDUCED ITS TRADITIONAL OPPOSITION TO IMMIGRATION AS TRADE UNIONISTS HAVE BECOME CONVINCED THAT SOME IMMIGRATION IS NECESSARY TO ALLEVIATE ACUTE SHORTAGES OF SKILLED WORKERS IN MANY INDUSTRIES THUS ACCELERATING ECONOMIC DEVELOPMENT AND OPENING UP NEW JOBS FOR THE UNSKILLED. THE MOST IMPORTANT EMPLOYERS GROUP IN VENEZUELA (FEDECAMARAS) HAS PROPOSED IMMIGRATION PROGRAMS WHICH MIGHT INCLUDE MASS IMMIGRATION OF UNSKILLED WORKERS. ALTHOUGH UNSKILLED IMMIGRATION IS UNLIKELY, A SIGNIFICANT INCREASE IN SKILLED IMMIGRATION SEEMS IMMINENT. THE INTERGOVERNMENTAL COMMITTEE ON EUROPEAN MIGRATION (ICEM) WILL BE THE EXECUTING AGENCY.

6. VENEZUELAN STEEL TO CUBA? A HIGH-LEVEL TECHNICAL MISSION, HEADED BY CVG PRESIDENT DR. ARGENIS GAMBOA, LEFT THIS WEEK FOR CONFIDENTIAL

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PAGE 03 CARACA 10929 02 OF 02 111232Z

HAVANA TO IRON OUT THE FINAL DETAILS OF AN AGREEMENT THAT WOULD PERMIT VENEZUELA TO SELL CUBA SEVERAL MILLION TONS OF MANUFACTURED STEEL PRODUCTS, INCLUDING SEAMLESS TUBING FOR THE PETROLEUM INDUSTRY, SHEET AND STEEL BARS. MISSION MEMBERS INCLUDED REPRESENTATIVES FROM THE GUAYANAN DEVELOPMENT CORPORATION, CVG; THE GOVERNMENT-OWNED STEEL PLANT, SIDOR, AND THE INSTITUTE OF FOREIGN COMMERCE; AS WELL AS THE COMMERCIAL COUNSELOR OF THE

CUBAN EMBASSY IN VENEZUELA.

7. TRADE POLICY TEAM CONSULTATIONS IN VENEZUELA. A FIVE-MAN U.S. TRADE POLICY TEAM HEADED BY DEPUTY SPECIAL TRADE REPRESENTATIVE CLAYTON YEUTTER VISITED VENEZUELA SEPTEMBER 6-8. THE TEAM MET SEPARATELY WITH MEMBERS OF THE VENEZUELAN-AMERICAN CHAMBER OF COMMERCE, THE VENEZUELAN EXPORTERS ASSOCIATION (AVEX), AND THE OFFICIALS OF THE VENEZUELAN FOREIGN TRADE INSTITUTE (ICE). AMBASSADOR YEUTTER PROVIDED VENEZUELAN OFFICIALS WITH A THOROUGH REVIEW OF THE IMPORTANCE OF THE MTN BOTH TO THE U.S. AND, POTENTIALLY, TO VENEZUELA. UNTIL NOW, AT LEAST, THE MTN HAS BEEN REGARDED WITH SUSPICION AND IS VIRTUALLY IGNORED IN VENEZUELA'S AMBITIOUS PLANS FOR EXPORT EXPANSION. IN RESPONDING TO AMBASSADOR YEUTTER'S PRESENTATION, ICE PRESIDENT REINABLDIO FIGUEREDO ACKNOWLEDGED VENEZUELA'S LIMITED PARTICIPATION IN THE MTN. HE CITED VENEZUELA'S LIMITED HUMAN RESOURCES AND PREOCCUPATION WITH OTHER EFFORTS SUCH AS THE ANDEAN PACT NEGOTIATIONS AS COMPLICATING FACTORS. HE ASSERTED THAT THE GOV WILL GIVE INCREASING ATTENTION TO THE MTN AS PROSPECTS FOR RESULTS IMPROVE. DESPITE THESE ASSURANCES, THE EMBASSY BELIEVES VENEZUELA WILL CONTINUE TO GIVE THE MTN A VERY LOW PRIORITY AND WILL CONTINUE TO FOLLOW THE LEAD OF COUNTRIES SUCH AS BRAZIL AND COLOMBIA WHICH ARE MORE CONCERNED AND BETTER INFORMED IN FOREIGN TRADE MATTERS COMING UNDER THE PURVIEW OF THE GATT.

8. FOREIGN DEBT REFINANCING APPROVED. FINANCE MINISTER HECTOR HURTADO ANNOUNCED SEPTEMBER 9 THAT VENEZUELA HAS ACCEPTED A SYNDICATED LOAN OFFER FOR LONG-TERM REFINANCING OF \$1 BILLION IN SHORT-TERM FOREIGN PUBLIC DEBT FROM A GROUP HEADED BY CITICORP INTERNATIONAL LTD, MORGAN GUARANTY TRUST CO., AND COMMERZBANK A.G. THE TERM WILL BE NINE YEARS, INCLUDING A TWO-YEAR GRACE PERIOD. THE LENDERS WILL CHARGE THE PERIODICALLY ADJUSTED LONDON INTERBANK RATE, PLUS 1 1/8 PERCENT. THE EMBASSY WAS INFORMED BY BANKING SOURCES THAT THE TERMS COMPARE VERY FAVORABLE WITH CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CARACA 10929 02 OF 02 111232Z

OTHER INTERNATIONAL BORROWINGS - AN INDICATION OF VENEZUELA'S EXCELLENT CREDIT RATING.

9. VENEZUELAN PARLIAMENTARY DELEGATION TO VISIT MOSCOW SEPT. 15. A VENEZUELAN PARLIAMENTARY DELEGATION, HEADED BY THE PRESIDENT OF THE NATIONAL CONGRESS, DR. GONZALO BARRIOS, WILL ARRIVE IN MOSCOW ON SEPTEMBER 15 AT THE INVITATION OF THE SOVIET GOVERNMENT. THE DELEGATION WILL INCLUDE DEPUTY MARCOS FALCON BRICENO, FORMER FOREIGN MINISTER AND CURRENT CHAIRMAN OF THE ADVISORY COMMISSION ON FOREIGN RELATIONS, DEPUTY CARLOS CANACHE MATA, VICE PRESIDENT OF THE CHAMBER OF DEPUTIES, DEPUTY JOSE RODRIGUEZ ITURBE, CHAIRMAN OF THE FOREIGN RELATIONS COMMITTEE OF THE CHAMBER, SENATOR POMPEYO MARQUEZ, SECRETARY GENERAL OF THE MOVEMENT TO SOCIALISM PARTY (MAS), AND CHAIRMAN OF THE SENATE

ECONOMIC COMMITTEE, AND SEVERAL OTHERS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL SUMMARIES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CARACA10929
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760343-1174
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760974/aaaacleh.tel
Line Count: 279
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 CARACAS 10715
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 04 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 MAR 2004 by GarlanWA>; APPROVED <08 SEP 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: PFOR, PINS, EGEN, EINV, EFIN, ELAB, ETRD, VE, CU, SU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006